

Senate Study Bill 1197

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CO=CHAIRPERSON HORN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for employer and employee contributions to the
2 Iowa public employees' retirement system.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1148SC 81
5 ec/pj/5

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1 1 Section 1. Section 97B.11, Code 2005, is amended to read
1 2 as follows:
1 3 97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.
1 4 1. a. Each employer shall deduct from the wages of each
1 5 member of the retirement system a contribution in the amount
1 6 of ~~three and seven-tenths percent~~ the applicable employee
1 7 percentage of the covered wages paid by the employer, until
1 8 the member's termination from employment. The contributions
1 9 of the employer shall be in the amount of ~~five and seventy-~~
1 10 ~~five hundredths percent~~ the applicable employer percentage of
1 11 the covered wages of the member.
1 12 b. For purposes of this section, the "applicable employee
1 13 percentage" means the percentage rate equal to three and
1 14 ~~seven-tenths percent~~ plus forty percent of the total
1 15 additional required percentage and the "applicable employer
1 16 percentage" means the percentage rate equal to five and
1 17 seventy-five hundredths percent plus sixty percent of the
1 18 total additional required percentage.
1 19 2. For purposes of this section, the "total additional
1 20 required percentage" is as follows:
1 21 a. Beginning on or after July 1, 2005, but before July 1,
1 22 2006, one percent.
1 23 b. Beginning on or after July 1, 2006, but before July 1,
1 24 2007, two percent.
1 25 c. Beginning on or after July 1, 2007, but before July 1,
1 26 2008, three percent.
1 27 d. Beginning on or after July 1, 2008, but before July 1,
1 28 2009, four percent.
1 29 e. For each fiscal year beginning on or after July 1,
1 30 2009, the total required percentage, as defined in subsection
1 31 3, for that fiscal year minus nine and forty-five hundredths
1 32 percent.
1 33 3. For purposes of this section, the "total required
1 34 percentage" for a fiscal year means the percentage rate equal
1 35 to the total of nine and forty-five hundredths percent and the
2 1 total additional required percentage for the prior fiscal year
2 2 unless any of the following applies:
2 3 a. If the system determines, based upon the most recent
2 4 actuarial valuation of the retirement system, that the total
2 5 required percentage for the prior fiscal year is insufficient
2 6 to amortize the unfunded actuarial liability of the retirement
2 7 system within thirty years, the total required percentage for
2 8 the next fiscal year shall be the lesser, as determined by the
2 9 system's actuary, of the percentage rate needed to amortize
2 10 the unfunded actuarial liability of the retirement system in
2 11 thirty years or a percentage rate equal to one percentage
2 12 point greater than the total required percentage for the prior
2 13 fiscal year.
2 14 b. If the system determines, based upon the most recent
2 15 actuarial valuation of the retirement system, that the total
2 16 required percentage for the prior fiscal year is sufficient to

2 17 amortize the unfunded actuarial liability of the retirement
2 18 system within ten years or less, the total required percentage
2 19 for the next fiscal year shall be the greater, as determined
2 20 by the system, of the following:

2 21 (1) One percentage point less than the total required
2 22 percentage for the prior fiscal year.

2 23 (2) The percentage rate equal to the normal cost rate as
2 24 certified by the system's actuary plus that percentage
2 25 necessary, but in no event less than seventy-five hundredths
2 26 of one percent, to amortize any unfunded actuarial liability
2 27 of the retirement system within twenty years.

2 28 4. The determination of the total required percentage as
2 29 provided by this section for a particular fiscal year shall be
2 30 done by the system, by rule, following a determination by the
2 31 system's actuary as to the total required percentage for that
2 32 fiscal year based upon the most recent actuarial valuation of
2 33 the retirement system by the system's actuary.

2 34 Sec. 2. Section 97B.49B, subsection 3, Code 2005, is
2 35 amended to read as follows:

3 1 3. ~~ADDITIONAL~~ CONTRIBUTIONS.

3 2 a. Annually, the system shall actuarially determine the
3 3 cost of the ~~additional~~ benefits provided for members covered
3 4 under this section as a percentage of the covered wages of the
3 5 employees covered by this section. ~~Sixty~~ Notwithstanding any
3 6 provision of section 97B.11 to the contrary, sixty percent of
3 7 the cost shall be paid by the employers of employees covered
3 8 under this section and forty percent of the cost shall be paid
3 9 by the employees. The employer and employee contributions
3 10 required under this paragraph ~~are in addition to the~~ shall be
3 11 treated as contributions paid under sections 97B.11 and
3 12 97B.11A.

3 13 b. (1) For the fiscal year commencing July 1, 1988, and
3 14 each succeeding fiscal year, there is appropriated from the
3 15 state fish and game protection fund to the system the amount
3 16 necessary to pay the employer share of the cost of the
3 17 ~~additional~~ benefits provided to employees covered under
3 18 subsection 1, paragraph "e", subparagraph (1).

3 19 (2) Annually, during each fiscal year commencing with the
3 20 fiscal year beginning July 1, 1988, each applicable city shall
3 21 pay to the system the amount necessary to pay the employer
3 22 share of the cost of the ~~additional~~ benefits provided to
3 23 employees of that city covered under subsection 1, paragraph
3 24 "e", subparagraphs (2) and (4).

3 25 (3) For the fiscal year commencing July 1, 1988, and each
3 26 succeeding fiscal year, the department of corrections shall
3 27 pay to the system from funds appropriated to the Iowa
3 28 department of corrections, the amount necessary to pay the
3 29 employer share of the cost of the ~~additional~~ benefits provided
3 30 to employees covered under subsection 1, paragraph "e",
3 31 subparagraph (3).

3 32 (4) For the fiscal year commencing July 1, 1990, and each
3 33 succeeding fiscal year, the state department of transportation
3 34 shall pay to the system, from funds appropriated to the state
3 35 department of transportation from the road use tax fund and
4 1 the primary road fund, the amount necessary to pay the
4 2 employer share of the cost of the ~~additional~~ benefits provided
4 3 to employees covered under subsection 1, paragraph "e",
4 4 subparagraph (5).

4 5 (5) For the fiscal year commencing July 1, 1992, and each
4 6 succeeding fiscal year, the department of public safety shall
4 7 pay to the system from funds appropriated to the department of
4 8 public safety, the amount necessary to pay the employer share
4 9 of the cost of the ~~additional~~ benefits provided to a fire
4 10 prevention inspector peace officer pursuant to subsection 1,
4 11 paragraph "e", subparagraph (6).

4 12 (6) For the fiscal year commencing July 1, 1994, and each
4 13 succeeding fiscal year through the fiscal year ending June 30,
4 14 1998, each judicial district department of correctional
4 15 services shall pay to the system from funds appropriated to
4 16 that judicial district department of correctional services,
4 17 the amount necessary to pay the employer share of the cost of
4 18 the ~~additional~~ benefits provided to employees of a judicial
4 19 district department of correctional services who are employed
4 20 as a probation officer III or a parole officer III.

4 21 (7) For the fiscal year commencing July 1, 2004, and each
4 22 succeeding fiscal year, there is appropriated from the general
4 23 fund of the state to the system, from funds not otherwise
4 24 appropriated, an amount necessary to pay the employer share of
4 25 the cost of the ~~additional~~ benefits provided to airport fire
4 26 fighters under this section.

4 27 Sec. 3. Section 97B.49C, subsection 3, paragraph a, Code

4 28 2005, is amended to read as follows:

4 29 a. Annually, the system shall actuarially determine the
4 30 cost of the benefits provided for members covered under this
4 31 section as a percentage of the covered wages of the employees
4 32 covered by this section. ~~Fifty Notwithstanding any provision~~
4 33 ~~of section 97B.11 to the contrary, fifty percent of the cost~~
4 34 shall be paid by the employers of employees covered under this
4 35 section and fifty percent of the cost shall be paid by the
5 1 employees. The employer and employee contributions required
5 2 under this paragraph ~~are in lieu of the shall be treated as~~
5 3 contributions paid under sections 97B.11 and 97B.11A.

5 4 Sec. 4. Section 97B.50A, subsection 12, Code 2005, is
5 5 amended to read as follows:

5 6 12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in
5 7 the administration of this section by the system shall be paid
5 8 through ~~additional~~ contributions as determined pursuant to
5 9 section 97B.49B, subsection 3, or section 97B.49C, subsection
5 10 3, as applicable.

5 11 EXPLANATION

5 12 This bill makes changes to the Iowa public employees'
5 13 retirement system (IPERS) relating to contributions made to
5 14 the system by employers and employees.

5 15 Code section 97B.11, governing contributions to the
5 16 retirement fund, is amended. Currently, the employer rate is
5 17 5.75 percent and the employee rate is 3.7 percent of a
5 18 member's covered wages. The bill provides that the employer
5 19 rate will equal 5.75 percent plus 60 percent of the total
5 20 additional required percentage and the employee rate will
5 21 equal 3.7 percent plus 40 percent of the total additional
5 22 required percentage. The bill provides that the total
5 23 additional required percentage shall be 1 percentage point for
5 24 the fiscal year beginning July 1, 2005, and this rate shall
5 25 increase by 1 percentage point a year until reaching 4 percent
5 26 for the fiscal year beginning July 1, 2008. Beginning for
5 27 each fiscal year on or after July 1, 2009, the total
5 28 additional required percentage shall equal the total required
5 29 percentage minus 9.45 percent. The bill provides that the
5 30 total required percentage for a fiscal year is the total
5 31 additional required percentage for the prior year plus 9.45
5 32 percent unless IPERS determines that this total rate should be
5 33 modified. The bill provides that if the total rate for the
5 34 prior year is insufficient to amortize the system's unfunded
5 35 actuarial liability within 30 years, the rate will increase to
6 1 the lesser of the rate needed to amortize the unfunded
6 2 actuarial liability in 30 years or 1 percentage point over the
6 3 prior year's total rate. On the other hand, the bill provides
6 4 that if the total rate for the prior year is sufficient to
6 5 amortize the system's unfunded actuarial liability in 10 years
6 6 or less, the rate will decrease to the greater of 1 percentage
6 7 point less than the prior year's total rate, or the rate equal
6 8 to the normal cost rate plus the greater of an additional .75
6 9 percent or such other percent as necessary to amortize any
6 10 unfunded liability of the system over 20 years.

6 11 The bill makes conforming changes to the Code sections
6 12 providing for the contributions paid by special service
6 13 members of IPERS to retain the current contribution rate
6 14 calculation for these members.

6 15 LSB 1148SC 81

6 16 ec:rj/pj/5